

**Colorado Department of Labor and Employment**  
**Performance Pay Program**  
**Implementation Plan**  
**May 15, 2002**

1. The Colorado Department of Labor and Employment (CDLE) Performance Pay System (PPS) implementation plan is based on SB 00-211, the Performance Pay System plan published by the Executive Oversight Committee on August 31, 2000 and subsequent Director of Personnel directives.

**2. Methodology**

a. CDLE Management Team involved a cross section of the Department in the development of the Department Plan. Employee action groups were established in the areas of Planning and Implementation, Dispute Resolution Process, Communications, and Training. The groups studied performance pay and performance management as developed up to that point and built detailed recommendations for implementation, review, communications and training. The recommendations were designed to increase employee acceptance and CDLE control of the change.

b. The Management Team also established a steering committee to monitor the implementation of the plan, oversee the quality of the performance pay program and make recommendations on a regular basis. The current steering committee includes Glenda Barry, CDLE Director of the Office of Human Resources, Drew Durham, Director of Resources, Les Shenefelt, Controller, Shannon Weston, Chief of CDLE Staff Development, and Bob Cropp, Human Resources Project Coordinator.

**3. Timelines and milestones**

a. The first step in the performance management process is the development of a strategic plan by the department management team. Updates to this plan, if necessary, will be complete by the end of August each year in conjunction with the budget submission to the Office of State Planning and Budget. Divisions will develop their own business plans based on the department strategic plan. Work units will develop plans based on their next higher level's plan. By February 1<sup>st</sup> the unit planning cycle will be completed and individuals/ teams may begin drafting performance plans.

b. The employee or team makes the first draft of the individual performance plan and presents it to the supervisor/ manager. The presentation meeting should happen by March 1<sup>st</sup>. Supervisors will prepare plans for inexperienced employees. There may be

additional planning sessions but the plan should be submitted for the reviewer's examination and implemented by April 1<sup>st</sup> unless delayed by a dispute. The reviewer is the direct manager of the supervisor/ manager. Disputes over the plan must be settled during the month of April. Disputed plans will be mediated/ settled and implemented no later than May 1<sup>st</sup>. The supervisor/ manager is responsible for the timely completion of these steps. The supervisor/ manager will impose a plan if the subordinate does not complete the plan or agreement cannot be reached on a plan on time. Responsibility will fall on the reviewer if the supervisor/ manager fails to meet the deadline. If both these parties fail to produce a plan by May 1<sup>st</sup>, the reviewer's supervisor is responsible for completing the plan and on up the chain of command until the plan is completed as required by law. Classified supervisors/ managers who, without adequate justification, fail to produce performance plans on time for their subordinates or themselves will receive a personal improvement plan or corrective action and not be eligible for any PPS award. Other actions may be taken subject to the Department Executive Director's instruction.

A minimum of one in-progress review must be conducted during the plan year, preferably close to the half-way mark. We recommend the plan be reviewed each quarter.

c. Proposed evaluations will be completed by employees/ teams and presented to supervisors no later than March 31<sup>st</sup>. Final evaluations will be conducted with employees/ teams by the supervisors/ managers and scores submitted to the Office of Human Resources and Personnel no later than April 15<sup>th</sup>. It is recognized that many plans will be completed before March 31<sup>st</sup> and evaluations of those plans should be conducted as soon as practicable. If the supervisor/ manager fails to evaluate the plan by April 15<sup>th</sup> then the reviewer will conduct the evaluation. If neither the supervisor/ manager nor the reviewer does an evaluation by April 30<sup>th</sup> then the reviewer's supervisor is responsible for completing the evaluation and on up the chain of command until the rating is completed as required by law. If a rating is not given, the overall evaluation is satisfactory until a final rating is completed. The lack of a plan or rating can be disputed. Classified supervisors/ managers who fail to evaluate their employees by July 1 are not eligible for any PPS award and are subject to action under CRS 24-50-118.

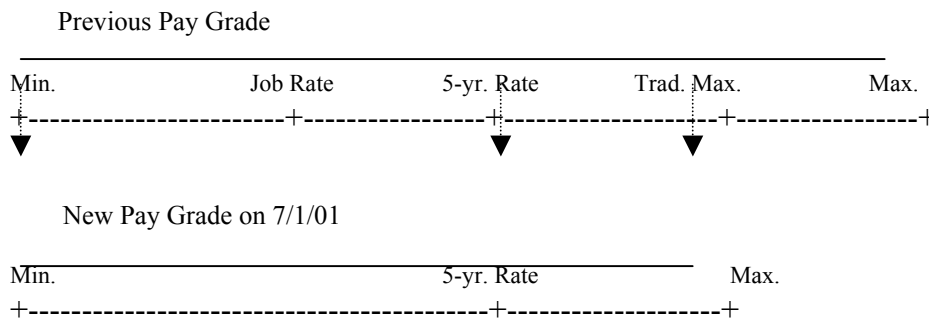
d. In December of each year the State Personnel Director will publish the maximum awardable percentage for Level 4. Prior to the payment of performance awards CDLE will determine the maximum award percentages for Levels 2 and 3 based on the budget, salary distribution, distribution of ratings and the maximum awardable percentage. The minimum award set for Level 4 will be greater than the maximum for level 3; and the minimum award set for Level 3 will be greater than the maximum award for Level 2. The minimum award for Level 2 will be greater than zero. An employee cannot be given an award or combination of awards greater than the set performance award maximum. CDLE has not established any quota or forced distribution process for determining the number/ percentages of employees/ ratings in any of the four performance levels.

#### 4. Performance Pay

##### a. CDLE Method of Allocation

All employees in equal circumstances will receive equivalent pay treatment. As a result there will be no special allocation of funds among divisions except as necessary to balance monies received through program funding from State and Federal sources. All appropriated monies will be distributed. All awards are subject to available funding and no award will be guaranteed. Payment of awards for those currently at the maximum of their pay ranges is at the discretion of the Executive Director. The minimum award for those currently at the maximum of their pay ranges is set at zero because payment of these awards is at the sole discretion of the appointing authority.

Job rate and maximum were eliminated as of July 1, 2001. Traditional maximum becomes the new maximum and continues to be the limit on base salary in a grade. The 5-year rate will be retained for one more year.



The change in pay grade structure affects salary calculations because the maximum, not job rate, will be the new comparison point in determining the type of movement and salary limitations. For example, the limit on base salary for hires, upward and lateral movements will be the maximum of the range (not limited to job rate). The maximums of the current and new pay grades will determine whether a movement is upward, downward, or lateral. The limit on saving current base salary for non-disciplinary and disciplinary demotions will now be the same, the maximum of the new pay grade.

Anniversary increases will cease as of June 30, 2002. The five-year rate will also be eliminated from pay grades at that time. Performance awards will begin with the July, 2002 pay period. Until that time, eligible employees will continue to receive anniversary increases for one last fiscal year (FY 01-02).

Employees hired on, or after, July 1, 2001, will **not** have anniversary dates **for pay purposes**. This includes former employees who are rehired during the next fiscal year. Current employees will retain anniversary dates for one more fiscal year and existing provisions continue to apply, e.g., adjustments for leave-without-pay. Anniversary dates used for benefits administration, PERA, etc. will remain.

b. Award Eligibility and Distribution

Employees who are rated as satisfactory or above are eligible for a performance award. Awards for employees who received a salary increase during FY 01-02 and new employees will be annualized. If a person worked here less than three months, the highest rating that person could achieve would be a level 2. The reason is that there is just not enough time to give that person a competitive rating. Employees must have a final performance review and final rating, and be employed in the state personnel system on July 1 of the payout year (July 1, 2002 for plan covering 01-02) to be eligible for payment of performance awards. Employees transferring into CDLE after receiving their performance evaluations but before July 1, will receive performance awards under the provisions of the CDLE plan.

CDLE will specify the award percentage for each level of performance. The minimum award for the satisfactory level is more than 0%. The award for a level must be greater than the maximum amount of the lower level. The state personnel director will establish the statewide maximum percentage for the outstanding level each year.

<b>Performance Level **</b>	<b>Amount</b>
1. Unsatisfactory - ineligible	0%
2. Satisfactory	0+%- X%
3. Above Standard	X+%- Y%
4. Outstanding	Y+%- Z%*

\* The amount cannot exceed the statewide maximum value set by the state personnel director.

For employees whose current salary is within the pay range, the award will be base building.

If salary is at the maximum of the pay range (or in saved pay) and overall performance is satisfactory or above standard, the employee is not eligible for an award. For an employee whose current salary is at the maximum of the range and overall performance is outstanding, the Executive Director has discretion to grant a non-base building award or a combination of base building and non-base building, if the award would require such, not to exceed the statewide maximum amount established by the Director of Personnel. Base building awards become part of the regular base salary beginning in July 2002. Non-base building awards are paid in one lump sum in the July paycheck.

Incentive rewards (cash or non-cash) can be granted at any time for one-time recognition of a special contribution or accomplishment or to supplement annual performance awards. Department guidelines on using incentive rewards will be published in a department letter prior to implementation of this program.

c. Within an individual or team plan the rating scale for each objective is: "1" indicates failure to meet the objective or competency key action; "2" indicates meeting the objective or key action; and "3" indicates exceeding the objective or key action. The

ratings of each objective/ key action are then weighted according to their importance to achieve a maximum point total of three hundred. A score of one hundred ninety-nine or less indicates the employee has exhibited unsatisfactory performance (not eligible for a performance award.) Point totals for “Satisfactory” (Level 2) will be 200 to 249 and “Above Standard” (Level 3) will be 250 to 300. Selection of “Outstanding” (Level 4) will be done by the department Management Team.

The “Outstanding” level is unique and difficult to achieve because it represents consistently exceptional performance or achievement beyond the regular assignment. CDLE employees will be eligible to be considered for the rating of “Outstanding” by meeting at least one of the following two sets of criteria and being forwarded by their appointing authority for review and approval by the Department Management Team: consistently exceeding performance standards and/or making a significant contribution that is unique or unusual. For purposes of this review the Management Team will be facilitated by either the Department Executive Director or the Deputy Executive Director. The intent is for one or the other to act as an independent reviewing authority and further enhance equitability in the system. The rating supervisor/ manager will compose a narrative explaining the employee’s accomplishment for presentation to the appointing authority. The work unit management team will review the recommended evaluation and narrative to decide if the submission meets the standard of equitability with the work unit. Employees whose performance rating is at or above 275 may qualify for “Level 4” under either set of criteria. Employees whose performance rating is less than 275 may qualify only under criteria b. Supervisors must use these criteria during the planning process to ensure the employee understands what constitutes “Level 4”. Under this system there is no arbitrary limit to the number of employees who can achieve the “Level 4” rating.

(a) Consistently exceeding performance expectations

Under this criterion, “Level 4” performers consistently exceed standards in their objectives and relevant competency areas including the core competencies. This consistent, exceptional performance is maintained throughout the duration of the rating period. Examples of performance that may contribute to a rating of “Level 4” are:

1. Taking the initiative to identify and complete unassigned work that contributes to the mission of the organization.
2. Volunteering and achieving success in solving problems and perform work outside their scopes of responsibility.
3. Exerting persistent effort above and beyond what is expected in order to meet business objectives.
4. Trying new solutions with an aggressive, go-getter attitude.
5. Completing work objectives ahead of schedule.
6. Completing work objectives using fewer financial resources, personnel, equipment or other resources than allocated.
7. Putting extra effort into improving work processes and/or exceeding product specifications.
8. Exceeding customer expectations regarding the quality of service

provided.

9. Operating as team players by assisting others in accomplishing their work objectives.
10. Exceptionally high production levels within a measurable activity.

A point total at or above 275 on the Individual Performance Plan will be eligible for consideration for “Level 4” unless, and except for unusual circumstances, the evaluation includes a “needs improvement” rating in any objective or competency. Under this criterion of “Level 4” employees **consistently** perform at this higher level on a project-after project, activity-after activity basis across most of all relevant objectives and competencies.

(b) Making a significant contribution that is unique or unusual.

Under this criterion of “Level 4” employees make a unique or unusual contribution that **significantly** advances the mission of the organization. The selected employee meets performance expectations in most objectives and competencies but may exceed performance expectations in a single objective or competency during the rating period. This unique or unusual contribution provides a **significant** benefit to the organization. Any supervisor/ manager may submit any employee for consideration as a “Outstanding” under (b) provided the employee is not under a corrective action or performance improvement plan. Supervisors and employees must alert one another whenever a significant contribution is about to commence, is in progress or has occurred. Examples of a unique contribution that may contribute to a rating of “Outstanding” include:

1. Exceptionally high production levels within a measurable activity.
2. Innovation of or improvement to a process that contributes significantly to increased quality, effectiveness or efficiency.
3. Design and implementation of product enhancements that significantly improve the flexibility, safety, or ease of use of that product.
4. Identification and implementation of an important new technology.
5. Exceptional response to an unforeseen event.

A single unique or unusual contribution during a rating period does not necessarily provide sufficient evidence for a “Level 4” rating. Other aspects of the employee’s performance are also taken into consideration when determining the final performance. Adequate documentation for a contribution under criterion b. will need to be presented at the time of review at the rating official level.

d. For Plan Year 2001 – 2002 the percentage increases for Level 2 and Level 3 will be announced after the State Personnel Director, in conjunction with the Total Compensation Survey, announces the maximum awardable percentage for application statewide. CDLE will perform individualized annualization during the first year transition in accordance with the guidance published in the Performance Pay System document dated August 31, 2000.

To distribute 100% of the money allocated for PPS increases, we will use an automated program originally devised by Mark Herrera at the Department of Revenue. All awards below pay range maximum will be base building. Awards in excess of pay range maximum will be awarded only to employees attaining an “Level 4” rating and those awards will be non-base-building. Employees attaining an “Level 4” rating may have a combination base-building and non-base-building award depending on where their salary falls on their individual wage scale. Employees will be notified of the amount of their award and if it is base building or non-base-building as soon as computations are completed each year. Performance awards will be a percentage of salary, effective on the statewide common date of July 1. Source of funds, method of funding, and length of state service will not be used as criteria for distinguishing between non-base and base-building performance awards. Non-base-building awards that are granted will be paid in full, even if the employee terminates employment during the payout year.

e. Fairness in rating

A great deal of work went into devising the performance evaluation system to be as fair and objective as possible. Each supervising official will have a reviewer with a twofold responsibility. At the time the performance plan is designed, the reviewer will analyze it to ensure it supports the agency’s and work unit’s business plans and the Department’s strategic plan. The review must ensure that the objectives are: measurable, within the influence of the employee, achievable (challenging yet reasonable) and realistic. The reviewer’s second responsibility is to ensure that evaluation standards are applied consistently at the time of the final evaluation. Periodically, the Department Management Team will review the Department’s program, unit business plans and individual performance plans for quality, accuracy and consistency. Pay decisions will be based on the evaluations completed by raters and reviewers and within system boundaries (Payment of awards for those currently at the maximum of their pay ranges is at the discretion of the Executive Director.)

f. Non-monetary Awards

CDLE encourages the use of the non-salary and non-monetary incentives currently available in the state personnel system to supplement salary-based performance awards.

g. An Annual Financial Report on PPS Implementation will be submitted when requested to the Executive Director of the Department of Personnel and Administration. The report will detail the total dollars appropriated and awarded to employees as performance awards for the prior fiscal year broken out for each performance category and any other information, as required by the State Personnel Director.

## **5. Performance Management**

a. The CDLE envisions performance management as a process for establishing and using a shared understanding of objectives and competencies in a participative culture to achieve success for both the organization and the individual. This process develops our “line of sight” or “focus”.

b. The first phase in implementing performance management is planning. We begin by developing a mission statement, a vision statement giving an orientation for the future of our organization and a statement of organization values. The first two documents describe *what* we are to do. The values statement gives an understanding of *how* things are to be done. The term "value" derives from the consultation conducted by the firm of Deloitte and Touche. The Department Steering Committee decided that "Value" has too many definitions. Because our aim is to "establish a shared understanding" we are using this term (value) only in the context of the Department's strategic plan and using the term "competencies" in Division business plans, work unit business plans and individual performance plans to describe key behaviors or *how* things are to be done. The last element is to define progress measurement with critical success factors. Taken together these are referred to as the "Strategic Plan". The CDLE Strategic Plan is included as attachment 1.

c. The next step at the division and work unit level is to develop business plans. The Department Strategic Plan gives general guidance and direction. It confirms old courses and sets new ones; it leads. Division and work unit level business plans document mission, values and objectives expressed in terms of quantities, quality standards, cost parameters and deadlines (critical success factors); they manage.

d. The final step in the planning phase is development of the individual performance plan (IPP). One major feature is employee involvement in the writing of the performance plan. The employee will use the Department, Division, and work unit plans along with his/her primary job duties and responsibilities and his/her own intimate knowledge of the job to develop an individual performance plan. These documents should be made available to the employee in a timely manner so s/he may successfully complete the IPP. The employee will meet with the supervisor to finalize the plan. There are four sections in the IPP but only the first two are scored. The maximum point total is 300: rated elements are scored with a "1", does not meet standards; "2", meets standards; and "3", exceeds standards. Total weights must equal 100 (%).

The first section of the plan contains discrete statements of objectives to be accomplished during the year in terms of cost (lower cost per unit), timeliness (reduce cycle time), quality (increase customer satisfaction) and quantity (more accessible products.) These are our critical success factors. For employees rated as individuals this section will be weighted in a range from seventy-five to ninety-five. The Division of Employment and Training will announce its own weight for this section.

The second section is on competencies. Competencies are how the job will be done and are expressed in terms such as communication, customer service, innovation, valuing diversity, and so on. Statewide uniform competencies will be included in all individual and team plans and evaluations and cannot be disregarded in the final overall rating for each employee. For 2002-2003 the Division of Employment and Training has developed a set of seven competencies derived from and cross-walked to the five state competencies. Additional competencies may be included at the discretion of the employee or management. Assessment from multiple sources of the employee's



performance may be used to accomplish objectivity in evaluation of competencies. For employees rated as individuals this section will be weighted in a range from five to twenty-five. The Division of Employment and Training will announce its own weight for this section.

The third section deals with personal development and closely supports the section on competencies. The development plan is not given a numerical rating. This section does not impact pay but will contribute greatly to morale, future performance gains and development of supervisors/ managers for the state government.

The fourth section of the plan allows for recording of several interim reviews and coaching sessions. There is one mandatory mid-cycle review but quarterly reviews are encouraged. The end-of-cycle review allows space for comments by both the employee and the rating official. The last page of the review tallies the numerical values given for accomplishment of the objectives and progress in competencies.

All employees must receive a written evaluation at least annually. If an employee changes positions during the performance cycle, an interim rating must be completed and forwarded to the new appointing authority or agency. Employees' performance plans will be used and reviewed continually because objectives will be completed at different times during the year. Emphasis on objective measurement, we believe, is at the core of performance pay and performance management. It results in a year-round management system. The performance plan is intended to be a working document. A planning meeting between the supervisor and the employee must occur at the beginning of the cycle. Each performance plan will be reviewed between the rater and the rated employee a minimum of once during the rating period and documented in the IPP. The rated employee as well as the rating official may arrange for additional reviews.

A Level 1 or "Needs Improvement" rating denoting unsatisfactory performance will result in a performance improvement plan or a corrective action.

Performance plans for supervisors/ managers will have at least one objective and one competency evaluating the effectiveness of their performance management of their employees. All rater's will be evaluated on their performance management of employees.

A copy of CDLE's Performance Planning and Review Form is included as attachment 2.

e. CDLE's Performance Management System will have some significant effects on Department employees:

- 1) They will be rated more objectively
- 2) They will have more control over their jobs
- 3) They will be better informed about what is happening to them and their organization
- 4) They will have more opportunities and incentives for personal development
- 5) With more in-depth guidance and job knowledge they will have the tools,

encouragement and incentive to make empowered decisions

## **6. Dispute Resolution Process.**

Included as Attachment 3. Disputes under the performance pay system are under the jurisdiction of the State Personnel Director and are not grievances or appeals. Accusations of retaliation and discrimination are not areas for the dispute resolution process.

## **7. Training.**

a. The Employee Action Group on Training recommended to the CDLE management team that to give Colorado Peak Performance the best chance of success all employees in the department should be trained in the system. They recommended that to the greatest extent possible the manager/ supervisor of the employee should conduct the training. This method of training would accomplish three things; the leaders would become experts on the system, employees would understand and be able to function in the new system and employees would know that PPS has the support of management. Accordingly, CDLE Staff Development trained a cadre of about seventy leaders in performance pay, performance management and planning and tracking and reviewing individual performance. This cadre completed the basic training of the Department in April 1999. Subsequent individual training for new employees and supervisors in performance management and the dispute resolution process is mandatory and is being done by the Office of Human Resources.

b. The Employee Action Group also recommended additional training be given to managers and supervisors. Additional training includes Business Plan Writing, Core Skills for Building Commitment, Guiding Conflict Resolution, Facilitating Improved Performance, Negotiation Skills, Problem Solving and Time Management. These courses are being offered by Staff Development (training) on an ongoing basis for new supervisors and supervisors/ managers being assigned to the department.

c. "Update Training" will be done for CDLE staff whenever necessary. This training will be conducted by CDLE Staff Development and the Office of Human Resources. Employees will have the opportunity to engage in a questions and answers session to clarify their understanding. Staff Development and the Office of Human Resources has conducted training for personnel involved in the Dispute Resolution Process and will repeat this training as necessary.

## **8. Summary.**

CDLE has conducted a structured implementation process that involved all elements of the Department and drew upon various resources such as "Best Practices" (DOP/ GSS website), published works of private consultants, published experiences of large scale businesses and management literature. We feel we have developed a performance

management and performance pay system that is the best we can do up to this point but we are not finished. This is a dynamic system. We encourage and welcome suggestions and advice for improvement. Our hope and intention is for Colorado to be the benchmark for State government performance throughout the United States of America.